

STATE SCHOOL AID UPDATE

Michigan Department of Education



April 2014

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STATE SCHOOL AID DATA UPDATED FOR APRIL

The April state school aid payment is the 7th regular payment of the year and reflects 63.63% of the year's allocation for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on Monday, April 21, 2014. The following categoricals were updated for the April payment:

- **Great Start Readiness** – Section 32d (Pat Sargent, Early Childhood Education and Family Services, (517) 241-4741, SargentP@Michigan.gov).
- **Court Placed** – Section 24 (Dianne Easterling, Special Education, (517) 335-0459, EasterlingD@Michigan.gov).
- **Technology Infrastructure Grants** – Section 22i (Ann Marie Smith, Education Improvement and Innovation, (517) 335-2775, SmithA24@Michigan.gov).

2014-2015 SCHOOL AID

In the February State School Aid UPDATE we summarized the Governor's state school aid Executive Budget Recommendation for FY 2015 that was presented on February 5, 2014. The House Appropriations Subcommittee on K12 Education and the Senate Appropriations Subcommittee on K12 Education have subsequently introduced their versions of FY 2015 school aid as House Bill (HB) 5310 and Senate Bill (SB) 775, respectively. The following are some key points of HB 5310 and SB 775 with a comparison to the Governor's Executive Recommendation where applicable.

- The House proposal would increase per pupil **Foundation Grants for FY 2015** using the "2X" formula by a range of \$56 to \$112. The Senate proposal would increase per pupil Foundation Grants for FY 2015 using the "2X" formula by a range of \$150 to \$300. The Governor's recommendation uses a "modified 2X" formula that would increase all foundations by \$55 and, in addition, increase foundations by a range of \$28 to \$56. All three proposals would roll the FY 2014 **Section 22c Equity payments** up to \$50 per pupil into the base foundation used to calculate the FY 2015 foundations.
- Under the Governor's proposal the **Section 22f Best Practice** funding would remain at \$80 million to be paid out at \$52 per pupil to districts that meet 7 of the same 8 best practices as in FY 2014. The House Bill would decrease the appropriation for FY 2015 to \$78.7 million to reflect a decreased FY 2015 pupil count and would replace 4 of the 8 best practices from FY 2014. The four best practices dropped would be: measuring student growth twice annually, providing dual enrollment and other postsecondary options, providing online learning opportunities and providing an academic and finance dashboard to the public. The new best practices under the House Bill would be: provide teacher compensation based on performance accomplishments, increase proficiency in reading in grades 1 through 3, collective bargaining agreements do not contain any provisions contrary to prohibited subjects and the district implements the Michigan comprehensive guidance and counseling program. The Senate would repeal Section 22f.
- Under the Governor's recommendation the **Section 22j Performance-Based** funding would be maintained at \$46.4 million. The House Bill would increase the appropriation to \$51.1 million to fully fund the estimated costs using 2012-13 assessment data. Under both the Governor's Recommendation and the House Bill, the eligibility criteria would remain the same as in FY 2014. The Senate Bill does not include Section 22j funding and would repeal the Section 22j language.
- The **Section 22i Technology Infrastructure** funding would be \$50 million under all three proposals for FY 2015. However, the Senate versions would add language which requires that all funding would be used to ensure that the local or intermediate district is technologically ready to administer an online assessment.
- The Executive Recommendation for FY 2015 would maintain the **Section 81 Intermediate School District (ISD) General Operations** funding at \$62.1 million with an additional \$2 million available for ISDs meeting 5 of 6 best practices. The House proposal maintains the \$62.1 million appropriation but does not include the best practice funding. The Senate proposal would eliminate the best practice language for ISDs and roll the \$2 million formerly allocated based on best practice eligibility into the Section 81 base.
- The Governor's recommendation and the House plan would repeal **Section 147a MPSERS Offset** funding and transfer the \$100 million appropriation to Section 147c Unfunded Accrued liability Payment to reduce the capped employer rate at 19.76% down from 20.96%. The Senate plan repeals Section 147a and uses the funding towards an increase in the per pupil foundations.

The summary above should not be considered a complete description of the content of the proposals. Please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on the proposals can be found on the websites of the State Budget Office, House Fiscal Agency and the Senate Fiscal Agency.

PROPOSED BOILERPLATE CHANGES FOR 2014-2015

In addition to the funding proposals listed above, all three (House, Senate, Governor) proposals for FY 2015 include some boilerplate language changes to the State School Aid Act. Those amendments include, but are not limited to, revising the budget transparency requirements to require that budget information is posted on the web within 15 days (as opposed to 30 days) of adoption, and moving up the date by which districts must report their audited financial information. The Governor's and the Senate proposals would move the date from November 15 to October 15 with the Senate plan stipulating that no school aid funds would be withheld for noncompliance until the November payment. The House proposal would move the date up to November 1.

All three 2014-2015 proposals include language in a new Section 102a that would require periodic financial reports from districts that trigger early warning indicators of potential financial stress. These reports could progress to a required enhanced deficit elimination plan including an education (academic) plan and/or a financial recovery agreement with the Treasury Department.

2013-2014 SCHOOL AID SUPPLEMENTAL APPROVED BY GOVERNOR

A FY 2014 state school aid supplemental (House Bill 4295) was approved by the Governor on April 7, 2014 and assigned PA 116 of 2014. Please see the March 2014 State School Aid UPDATE for a synopsis of the highlights of the supplemental. In addition to the items discussed in the March UPDATE, the supplemental also includes language that amends Section 101 of the State School Aid Act to state that for 2013-2014 only, if a district would be required to be in session more than 174 days as a result of providing more than 174 days in 2009-2010, the district is required to provide no more than 174 days for the school year ending June 30, 2014. Also, if a district adds one or more days to the end of the school calendar to comply with the minimum day requirement then the attendance requirement in order not to incur a school aid adjustment is 60% instead of 75%. To view the supplemental in its entirety, go to [http://www.legislature.mi.gov/\(S\(fxq2bw45wbvix2vb51yqgcaw\)\)/mileg.aspx?page=home](http://www.legislature.mi.gov/(S(fxq2bw45wbvix2vb51yqgcaw))/mileg.aspx?page=home) and key in 4295 for the bill number.

BEST PRACTICE REPORTING

At this time of the year it is important for districts to remember that the June 1, 2014 deadline to submit Section 22f Best Practice Resolutions is quickly approaching. As in past years, districts must meet at least seven of eight best practices identified in the statute and submit a Board adopted resolution confirming the district's eligibility. The Department's Best Practice Guidance that identifies the criteria including a sample resolution can be found at: http://mi.gov/mde/0,4615,7-140-6530_6605-258500--,00.html. Many districts who have already submitted resolutions and have not yet started to receive funds in their monthly payments have been notified that they are missing items on their website to comply with Subsection (g). A letter from the Department with details of what needs to be updated was sent to each of these districts. Please contact Chad to let him know that the website has been corrected, or with any questions. Websites will not be reviewed again until we are notified that changes have been made. Best Practice funds will be forfeited by those districts not in compliance by June 1. Chad can be reached at UrchikeC1@Michigan.gov or (517) 335-1261. For any other questions related to this item, please contact John A. Hayner, State Aid and School Finance, (517) 241-0495 or HaynerJ1@Michigan.gov.

INDIRECT COSTS

Current indirect cost rate information is available at: http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html. The new rate information includes Special Education rates for 2013-2014 and preliminary rate information for 2014-2015. Form R0418A, *Costs for the Development of 2014-2015 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carry Forward Calculation for 2014-2015 Federal Indirect Cost Rates* shows the results of the preliminary calculation. Form DS-4513 allows the district to edit preliminary cost information to portray more accurate indirect cost rates. If you have any questions or comments, please contact Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov.

May 2014 MSBO CONFERENCE

Office of State Aid and School Finance staff will be attending the annual MSBO conference in Grand Rapids at various times May 6, 2014 through May 8, 2014. We look forward to seeing you there. Feel free to catch up to us with any questions or concerns that you may have.

GENERAL INFORMATION

- The 4th quarterly count date for **Adult Education** program participants is the 4th Wednesday in April, **April 23, 2014**.
- The proration factor for Section 31a-At Risk funding is \$308.9618156932 per pupil.
- The Headlee Obligation for Data Collection funds are paid at a rate of \$24.743076835 per pupil.
- The proration factor for Section 22j Performance based funding is .9987655473

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.